

California Gambling Control Commission

Initial Statement of Reasons

CGCC-GCA-2007-R-2

“License Conversion Date Extension”

The Gambling Control Act¹ provides the California Gambling Control Commission (Commission) with the responsibility of assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.² The Gambling Control Act also provides the Commission with the authority to establish regulations relating to the licensing of providers of third-party proposition player services and gambling businesses.³

“Third-party proposition player services” are those controlled game player services provided to a gambling establishment under a written, oral or implied agreement with the gambling establishment.⁴ In contrast, “gambling businesses” engage in the play of controlled games at gambling establishments without a written, oral or implied agreement with the gambling establishment.⁵

Current regulations call for a transition from registration to the licensing of both third-party providers of proposition player services⁶ and gambling businesses.⁷ These regulations call for this transition from registration to licensing for persons registered prior to April 30, 2004, to be completed by July 1, 2007. The process for this transition includes a requirement that all registrants (registered prior to April 30, 2004) submit an application for license conversion to the Commission within 30 days of a summons from the Division of Gambling Control (Division).

¹ Business and Professions Code, sections 19800 through 19987

² Business and Professions Code, subdivision (a) of section 19823

³ Business and Professions Code, subdivision (a) of section 19824, paragraph (3) of subdivision (a) of section 19853 and subdivision (b) of section 19984

⁴ As defined in California Code of Regulations, Title 4, paragraph (28), subsection (b), of section 12200

⁵ As defined in California Code of Regulations, Title 4, paragraph (11), subsection (b), of section 12220

⁶ California Code of Regulations, Title 4, section 12205.1

⁷ California Code of Regulations, Title 4, section 12225.1

As of February 15, 2007, Commission records reflect that this process involves 973 registrations that must be converted to licenses. This includes 11 third-party providers, one gambling business, 15 owner entities, 85 owners, 72 supervisors and 789 players.

As part of this process, the Division's licensing staff will conduct in-depth background investigations on each individual and/or business to determine whether they are suitable to hold a state gambling license. Suitability is determined by a number of factors including but not limited to the applicant's honesty, integrity, general character, reputation, habits, and financial and criminal history. This background investigation requirement has created an unprecedented workload for the Division. As a result, this proposed regulation change would extend the due date for the completion of the license conversion project from July 1, 2007 to July 1, 2008. This additional one-year period will allow the Division sufficient time to summon the remaining registrants and complete the background investigations.

This regulation proposal simply changes the licensing conversion completion dates in sections 12205.1(d) and 12225.1(c) from July 1, 2007 to July 1, 2008.

Required Determinations

Local Mandate: These regulations do not impose a mandate on local agencies or school districts.

Reasonable alternatives to the proposed regulations and reasons for rejecting those alternatives: The Commission is not aware of any reasonable alternatives that would as effectively achieve the regulatory purpose of extending the completion date for these license conversions.

Reasonable alternatives to the proposed regulatory action that would lessen any adverse impact on small businesses: The Commission is not aware of any reasonable alternative that would lessen any adverse impact on small businesses.

Impact on private persons: The Commission is not aware of any reasonable alternatives that would be more effective or as effective and less burdensome to private persons.

Impact on business: The Commission has made a determination that the proposed regulatory changes will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.